

<b>23 September 2015</b>		<b>ITEM: 11</b>
<b>Council</b>		
<b>Enterprise Units</b>		
<b>Wards and communities affected:</b> West Thurrock and South Stifford		<b>Key Decision:</b> Key
<b>Report of:</b> Councillor Richard Speight, Portfolio Holder for Regeneration.		
<b>Accountable Head of Service:</b> Matthew Essex, Head of Regeneration.		
<b>Accountable Director:</b> Steve Cox, Assistant Chief Executive.		
<b>This report is Public</b>		

### **Executive Summary**

Thurrock is undergoing transformational change with one of the most exciting Growth Programmes in the country. The programme will change the landscape of the borough as commercial, public and residential development brings new homes and a large number of new jobs. The Council's Regeneration Strategy seeks to harness the ambitious growth agenda to strengthen and diversify the local economy and create opportunities for local people. One element of this strategy has focussed on ensuring appropriate sites and premises are available to support business growth, with the Council providing business centres in the borough, delivering accommodation for start-up and small businesses and supporting local employment opportunities.

At its July 2014 meeting, Cabinet approved savings proposals which included the need to save £500,000 from the general fund budget for Regeneration activity. Part of the strategy for meeting this savings target was to move towards an income generation model, using the surplus generated from business centre accommodation to support the costs of the Regeneration service. With two business centres (Tilbury Riverside Business Centre and the Old Post Office in Grays) already open and the former Magistrates Court in Grays nearing completion, attention is now focussed on developing the two further schemes needed to deliver the income required to meet the savings target.

To maximise the benefit of the programme, it was considered that the centres should provide broad geographic and sectoral coverage to support the Council's work in its six Growth Hubs and the aims of the Economic Development Strategy which seeks to support core (already strong) and opportunity (potential to grow) sectors.

Accordingly, proposals have been developed for a range of accommodation (offices, workshops and light industrial units) supporting the Council's wider ambitions in Tilbury, Grays and Purfleet.

This report seeks:

- (a) To update Full Council on the refurbishment of the Magistrates Court and on progress with the two new business centre schemes.
- (b) Approval to add commercial enterprise units at High House Production Park to the capital programme.

## **1. Recommendation(s)**

**That Full Council:**

- 1.1 Note progress made with the Enterprise Units programme and the positive impact this will have on supporting business growth and job creation in the borough as well as supporting the Council's savings programme.**
- 1.2 Approve an addition of £1.5m to the Council's capital programme for investment in Council owned commercial enterprise units as part of the National College building at High House Production Park.**
- 1.3 Grant in principle approval to underwrite up to £150,000 of the fundraising target for the National College project. Final approval to be subject to a report to Cabinet.**

## **2. Introduction and Background**

- 2.1 The Council has owned business accommodation in Thurrock for a number of years. The Tilbury Riverside Business Centre opened in 2005, offering over 27,000sq.ft. of small business units ranging in size from 230 to 1,883sq.ft. Demand for accommodation is strong with occupancy levels consistently over 90% and, at the time of writing, is at 100%.
- 2.2 In 2012, the Council took over ownership of the old Post Office in Grays, which had previously been controlled by Thurrock Development Corporation. The accommodation in the Old Post Office has also been in high demand, in response Cabinet approved (February 2013) the principle of converting and refurbishing the former Grays Magistrates Court to provide more business space. Subsequent Cabinet reports outlined proposals to create 39 small business units with a total lettable space of over 12,700sqft. A local contractor, Beardwell Construction Limited, was appointed to carry out the works last summer and the conversion is now nearing completion, with the former Magistrates Court (The Old Courthouse business centre) expected to be completed in October 2015 and formally launched later in the year. The facility offers an ideal environment for start-up businesses with access to

business support; serviced meeting rooms; conference; training and breakout facilities. Initial interest in the space has been very positive.

- 2.3 The provision of high quality workspace in support of businesses is a key element of the Council's Regeneration Strategy, with firms routinely citing a lack of available accommodation as a barrier to their growth. As well as supporting local companies and job opportunities, Council owned business accommodation has historically generated a modest revenue which has been used to support other regeneration projects. In July 2014 Cabinet approved savings proposals which included a £500,000 reduction in the general fund budget for Regeneration activity. Part of the strategy for delivering this savings target has been an expansion of Council owned business accommodation, generating a larger surplus to be used to support the costs of the wider Service. The capital costs of these developments would be met through prudential borrowing and, where possible, external funds on the basis that schemes can be added to the Council's capital programme '...where it can be evidenced that there is a spend to save opportunity'.
- 2.4 A review of the various income forecasts from the existing centres demonstrated that the savings target could be achieved with two new developments. To maximise the benefit of the programme, it was considered that the centres should provide broad geographic and sectoral coverage to support the Council's work in its six Growth Hubs and the aims of the Economic Development Strategy which seeks to support core (already strong) and opportunity (potential to grow) sectors. Discussions with the operators of the Council's existing centres and others in the market place encouraged the development of a diverse portfolio of flexible accommodation including offices, workshops/studio spaces and light industrial units across the Borough. Based upon the Council's work within and visions of the six Growth Hubs it was considered that the most appropriate locations for centres would be Tilbury, Grays and Purfleet.
- 2.5 With the Riverside Business Centre (Tilbury) and Old Post Office (Grays) well established and the conversion of the former Magistrates Court in Grays into business accommodation already agreed. It was proposed that the two further centres required should be delivered through the expansion of the Tilbury Riverside Business Centre and development(s) at High House Production Park in Purfleet.
- 2.6 In November 2014, Cabinet received a report outlining proposals to expand the Riverside Business Centre in Tilbury onto a vacant adjacent plot (0.7acres) which is owned by the Council. The report outlined the results of an initial assessment which showed that the Council could create 18 business units on the site, providing 12,600sq.ft. of accommodation in addition to the 27,000sq.ft. already provided through the existing centre. Cabinet approved the proposal and added the scheme to the Council's Capital Programme.
- 2.7 Since the November 2014 report good progress has been made. A professional team led by Frankham Consultancy Group have been appointed

to undertake detailed design and oversee construction of the new building. The scheme has been developed to RIBA stage 2 with the most recent iteration providing 20 self-contained workshop units with a total net lettable area of 13,993 sq ft. The planning application for the proposed expansion will be submitted later this year. Subject to planning permission being granted, procurement of the building contractor will take place in early 2016 and the building will be completed in 2017. Consideration will be given to promoting the centre across Tilbury to ensure that local residents can benefit from the new spaces and the jobs created,

- 2.8 In March 2015, Cabinet received a report which proposed that the Council fund and develop further business accommodation as part of a partnership approach seeking to bring forward two new developments on High House Production Park in Purfleet – the new accommodation/student services building supporting the development of the National College for Creative and Cultural Industries and a new Artists' Studio complex. Cabinet agreed the principle of the Council seeking to include business accommodation within these developments and supported undertaking the work required to develop the proposals further.
- 2.9 This report seeks to update Full Council on the outcome of the work completed to date and seeks approval to add one of the new buildings at High House Production Park to the capital programme.

### **3. Issues, Options and Analysis of Options**

- 3.1 The March 2015 report to Cabinet outlined the close working relationship between the Council and the Production Park and described the proposals for the two new buildings which could contribute to the delivery of the Council's Enterprise Units Programme, attract new creative businesses and other uses to the Park and, through service charges, generate additional income that will ensure the park is sustainable in the longer term.
- 3.2 The first High House Artist Studios building opened in 2013. The development has proved to be a great success with the building achieving full occupancy within 12 months and now with a waiting list of approximately 160 artists. Proposals are being developed to capitalise on demand by bringing forward a new mixed use building to include 48 artists' studios alongside new small business units. Funding opportunities for the new building, including Council capital funding for the business units, the Arts Council Capital Programme and European Regional Development Fund, are being explored. Project development will continue once there is more certainty on the funding package that will deliver the building.
- 3.3 In the meantime work to develop new facilities for the National College has gained momentum. In November 2014 the Backstage Centre was informed

that its application to the Department for Business, Innovation and Skills (BIS) to become one of seven industry-led National Colleges has been successful. The National College for Creative and Cultural Industries will be launched in September 2016, offering an industry designed curriculum to meet the higher level skills requirements of the various technical trades associated with the music, performing arts, events, film, television and visual effects industries.

- 3.4 While the Backstage Centre already boasts high quality training facilities it does not possess dedicated residential accommodation or associated pastoral, catering and other spaces required to support intensive full-time residential course modules. BIS and the Skills Funding Agency (SFA) have made £50,000 available through a project development grant to support the National College programme. This funding has been used to undertake initial feasibility and design work, to RIBA Stage 2, to inform an application for capital funding in support of the construction costs of a new building on site. The initial design proposals for the new building are appended to this report (Appendix 1). The application for funding was submitted in July 2015 and the results are expected in September 2015.
- 3.5 The initial design proposals show that the new building could contain approximately 10,000sqft of commercial space which could be leased to the Council. This is sufficient accommodation to support a business centre in its own right but, coupled with the extra accommodation that could be provided through the new artists' studio building and the other facilities on site, it represents a highly desirable and economic location for a Council owned business centre focussed on supporting small and emerging creative businesses.
- 3.6 The Council has been a party to a variety of demand studies undertaken in the past which have consistently demonstrated strong interest from creative firms in taking up space on the Production Park site. Interest historically has come from a variety of operators across the creative and cultural sectors including graphic designers, specialist theatre companies (lighting and sound designers etc), commercial artists and various consultancy operations all of which could be accommodated within the proposed new building. This interest has steadily built as the site has grown. The existing presence of the Royal Opera House, Backstage Centre and Artists' Studios together with the potential creation of the National College for Creative and Cultural Skills have served to develop a genuine cluster which related firms are keen to associate with.
- 3.7 The total cost of the new building is estimated to be £8.9 million. The funding package includes capital funds from BIS/SFA, Industry support and match funding from High House Production Park and Creative and Cultural Skills. It is proposed that the Council invests £1.5m to secure a long lease over the new commercial units which would form part of the enterprise centre estate and generate an income for the Council. Based on this investment the projection of the potential income generated is:

Year	Occupancy Levels		Income	Operational Costs	Net Income per annum	Net Profit / Loss per annum (Minus finance costs)
	Total Lettable Area: 9,774 ft <sup>2</sup>	% Occupied				
1	4,076	42%	£ 107,803.80	£ 118,158.04	(£ 10,354.24)	(£ 47,854.24)
2	6,597	68%	£ 174,502.55	£ 118,158.04	£ 56,344.51	£ 18,844.51
3	8,152	83%	£ 215,607.60	£ 118,158.04	£ 97,449.56	£ 59,949.56
4	9,188	94%	£ 250,301.29	£ 121,060.92	£ 129,240.37	£ 91,740.37
5	9,188	94%	£ 250,301.29	£ 121,060.92	£ 129,240.37	£ 91,740.37

- 3.8 The assessment demonstrates that the scheme is a viable investment for the Council - the income generated will be sufficient to cover the operational costs of the Council's elements of the building, the finance costs and produce an appropriate surplus. The figures shown do not include the additional business rates income which will be generated. It is proposed that this scheme be added to the Council's capital programme.
- 3.9 Whilst a large proportion of the capital funding has been identified there remains a funding gap which BIS/SFA have made clear must be closed in order for their funds to be secured. To address this, a fund raising target of £500,000 has been set to be secured from third parties including private donors, trusts/foundations and public sector grants. Work is already underway to meet this target. Following discussions with the Arts Council, the National College has been invited to apply for a £200,000 grant through its small grants programme. However, BIS/SFA require confirmation that, in the event that the funds cannot be secured from other sources, the project partners will provide the necessary funds to allow the project to proceed. It is therefore proposed that HHPP Ltd (£100,000), the Backstage Centre (£250,000) and Thurrock Council (£150,000) underwrite the fundraising target. Council is requested to approve the principle of underwriting the fundraising target to a maximum of £150,000 which, if required, would form a grant in support of the National College project. Final approval to be subject to a report to Cabinet.
- 3.10 The anticipated timescale for delivery of the new building is dependent on BIS' spending requirements and is very tight. Whilst this could be subject to change, the current timetable, assuming the application for capital funding is successful, requires their funds to be spent by March 2017 and the building to be completed just six months later. The delivery route for the new building will depend in part on feedback from Government and the VAT implications of different procurement routes. However, as with other developments on HHPP, it is currently anticipated that the Council will manage the capital project on behalf of the partnership and will facilitate the procurement and management of the design and build works on HHPP's behalf.

#### **4. Reasons for Recommendation**

- 4.1 This report outlines progress made with the programme to expand Council owned business accommodation in Thurrock. The programme will provide high quality accommodation to attract and retain businesses and employment opportunities in the borough while helping to address the savings target for Regeneration in the savings programme.
- 4.2 Approval is required from Full Council to add the National College project to the Council capital programme.

#### **5. Consultation (including Overview and Scrutiny, if applicable)**

- 5.1 Previous reports to Cabinet in July 2014, December 2014 and March 2015 have explained the development of the business units programme. Cabinet Members were supportive of proposals to address the Regeneration savings target through expanding the Council's business accommodation portfolio.

#### **6. Impact on corporate policies, priorities, performance and community impact**

- 6.1 The proposals are consistent with the Council's strategic objective to 'encourage and promote job creation and economic prosperity'. The report supports the priorities set out in the Thurrock Regeneration Strategy and the Economic Development Strategy.

#### **7. Implications**

##### **7.1 Financial**

Implications verified by: **Sean Clark**  
**Head of Corporate Finance**

As the report sets out, the Medium term Financial Strategy assumes income generation through the development of business units and supporting infrastructure.

The £1.5m contribution and £150,000 underwriting towards the HHPP development are not included within the capital programme and require Full Council approval.

## 7.2 Legal

Implications verified by: **David Lawson**  
**Monitoring Officer and Deputy Head of Legal & Governance**

This report is required to come before Full Council under the budget framework rules to seek approval to add the High House Production Park scheme to the capital programme

## 7.3 Diversity and Equality

Implications verified by: **Natalie Warren**  
**Community Development and Equalities Manager**

The Enterprise Units schemes create opportunities for small and medium sized enterprises to grow and strengthen their business base in the borough,

Occupiers will have access to business support; serviced meeting rooms; conference; training and breakout facilities. The centres offer a quality professional environment that focuses on supporting business growth, generating further employment opportunities and ultimately contributing towards the prosperity of the borough. Accessibility requirements are reflected in all of the schemes proposed by the Council.

## 7.4 Other implications (where significant) – i.e. Staff, Health, Sustainability, Crime and Disorder)

There are no other significant implications arising from the report.

## 8. Background papers used in preparing the report (including their location on the Council's website or identification whether any are exempt or protected by copyright):

None.

## 9. Appendices to the report

Appendix 1 - National College Layout

## Report Author:

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